

Apartheid, Capitalism, and the Consequences of Interference

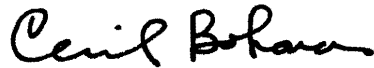
An Honors Thesis (HONRS 499)

by

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A handwritten signature in black ink that reads "Cecil Bohanon". The signature is written in a cursive, flowing style.

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Abstract

Since the beginning of history, groups of people have taken measures to get ahead at the expense of others. The Apartheid in South Africa is a recent example of this. While the Apartheid met its official end in 1994, its legacy of discrimination and restriction are still felt by the South African people. It is important to differentiate between the motives of capitalism and racial restrictions such as those imposed during the Apartheid and since its conclusion. Many people see capitalism as a system which is driven by selfish motives, and therefore results in selfish actions that harm others. While capitalism may derive its power by the human desire to better ones own condition, it allows no room for excluding others from the market, especially not based upon race or ethnicity. As part of the bigger picture, it is also important to realize that no one benefits when a group of people are prevented from being productive participants in society. South Africa has been learning these lessons for decades.

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South Africa is an unruly collection of cultures that have been clashing for centuries. The tragic mess of Apartheid can be traced back to the differences between three diverse cultural groups who have failed to accept each other as they encroach further into one another's territory. They have exploited one another to get ahead without compassion or understanding for the others' situation. Even worse, they have limited the economic power of the country as a whole through selfish motives and harmful actions.

The indigenous people of South Africa originally lived in small tribes with no central governing body or shared leader. Each tribe had its own culture and identity. Collectively, the tribes and their descendents had trouble indentifying with one another on a unified front. This inability to band together has made these former tribe members an easy target for invading cultures. These people would soon become a portion of the black masses terrorized during the Apartheid era.

The first Europeans to arrive in South Africa began settling the area in the business of the Dutch East Trading Company during the 1650s. While the settlement was never intended to be permanent, the colony expanded and stable agriculture emerged. The people who lived in the colony were mostly of Dutch origin but identified themselves as permanent inhabitants of South Africa, even speaking the new Afrikaans language derived from their original Dutch. The Afrikaner ethnicity was born out of these colonies and has distinguished itself from others of European descent. Later Europeans to arrive in South African also considered the Afrikaners as outsiders to the Anglo world.

Other European nations eventually found interest in South Africa during the late 1700s. The discovery of gold reserves, and later diamonds, opened up the area to capitalistic development in the form of British imperialism. After the Boer War was fought in 1899 for control of the nation, Britain held South Africa both politically and economically. The success of the British form of capitalism depended upon the massive influx of labor, mostly by black natives from other parts of Africa. This caused a great deal of tension among inhabitants. The Afrikaners were not happy to see jobs going to immigrants before themselves.

The Afrikaners were threatened by and despised British control. Afrikaners were seen as a second class to the British. The Afrikaner society was agriculturally based, but at the hands of British imperialism, urbanization and industrialization found its way to South Africa. Suddenly, Afrikaners were forced into city life and poverty as their pastoral society came to its conclusion. Afrikaners saw the British system of capitalism as godless and anti-Christian because it was driven by the pursuit of one's own profit. The Afrikaners could see British capital owners gaining wealth. Meanwhile, they struggled to survive in an unfamiliar society that had taken over their home and ended their livelihood. South Africa became independent of Britain in 1934, but as the British inhabitants maintained control of most of the capital and wealth, they remained in control politically.

To make matters worse, the Afrikaners were competing for jobs with the black migrant laborers that British capitalists were bringing in from other regions of Africa. These migrant workers were able to work for less. The migrant workers could provide more affordable labor because they generally came alone and did not have families to support like the Afrikaners did. The Afrikaners did, however, feel a Christian duty to survive as a race, something they felt that British rule was jeopardizing by forcing everyone to conform to their society (Louw). Unlike the

native tribe members, Afrikaners had a great sense of nationalism that gave them collective power to change their situation. They would soon take advantage of that power at the expense of others.

Beginning in the 1930s, Afrikaners began to believe that the solution to their problems could be found in a separation of the ethnic groups. Under this policy, those of European descent and those of native decent could live independently and pursue their own culture without interference. No longer would all cultural groups be forced to conform to European society and ideals, but could be free to enjoy their own. This idea would entail a complete separation in education, housing, and jobs. It was under this noble face that Apartheid found its way into South Africa. Apartheid or “separateness” promised the Afrikaner people a number of other things.

Under Apartheid, the Afrikaner working class would be protected by securing jobs that may previously have been filled by black laborers. The cheap black labor force would no longer be welcome in the Anglo working world without severe restrictions. Capital owners would then be forced to hire Afrikaners and to pay them a more competitive wage. The Afrikaners could create their own school system and technical colleges which would allow their newly educated race to get a foot up in the working world, hopefully accumulating capital, wealth, and advantage. Afrikaners could potentially find jobs in the state and end Anglo discrimination for good through a series of legislation and policies (Louw). The Afrikaners did not propose to separate themselves from the Anglos, despite their resentment, most likely because they knew it would be economically devastating to their people.

The National Party, a political formation of the Afrikaners, took power in 1948 and began to make Apartheid a reality. The inequality that was to follow stemmed greatly from discrepancies in educational opportunities offered to each race. In 1949, the formation of new schools separated the educational upbringing of Afrikaners and Anglos from the black African natives and immigrants. The political face of this legislation was to allow each ethnicity to be instructed in their native language instead of being forced to learn in a language other than their own. In 1953, the Bantu Education Act set up a separate department to oversee black educational institutions while the National Party continued to oversee white education.

While educational quality and opportunities increased for the white population, Bantu schools could not compare. Under the first few years of Apartheid education, all schools were funded through the National Party government. Later, when housing areas were eventually separated through homeland initiatives, expenses for Bantu education were funded through taxation of the people living within the area that the school served. This significantly decreased funding for Bantu schools, as income in these areas was significantly lower than other than any other location. By 1968, spending per pupil in the black homelands was 6% of the spending per pupil in white schools (Seekings).

The drastic different in funding had an obvious influence upon the pupils in each respective school. White students began their schooling years earlier and repeated grade levels less frequently. While 90% of white children attended secondary school in 1970, only 16% of their black counterparts did (Seekings). The disadvantage of a poor education severely diminished the job opportunities available to the black community. Aware of the substandard education offered in Bantu homelands, the schools had become highly political and encouraged

unrest among their pupils (Kraak). This led to high dropout rates, as well as violent demonstrations from the black community.

Restrictions were placed on who could become a South African citizen and who could immigrate into the nation. In 1949, the South African Citizenship Act made it more difficult for British inhabitants to become citizens. The Afrikaners wanted to limit British power within South Africa. The Native Laws Amendment Bill controlled black migration from outside South Africa, preventing any more migrants from finding a home or work there. This opened up work opportunities for Afrikaners. The Populations Registration Act of 1950 required that each inhabitant of South Africa register as part of an ethnic group. This was followed by the Group Areas Act which used the information about individuals' ethnicity to assign each population group their own designated area or "homeland". The Afrikaners had finally moved the black population out of their way and were free to pursue their own economic interests without interference.

Meanwhile, the black population was slowly being confined to their designated homelands and the Afrikaners sought to keep them there. The 1951 Bantu Authorities Act created government structures for black homelands. This took the responsibility of governing the now outraged black population out of the hands of the National Party. It also put up the front of allowing black community members to choose their own fate. The following year, the Native Laws Amendment Act limited the number of blacks living in white area. This, of course, led to the Resettlement of Natives Act which forcibly moved a population of black citizens into homelands and away from white populations.

As the homelands were encouraged to self-govern, the National Party could justify excluding the black population from national politics. As such, in 1968, the Prohibition of Political Interference Act prevented any blacks from participating in “white politics” and potentially reversing their situation. The 1970 National States Citizenship Act made all black inhabitants citizens of their respective homelands and no longer citizens of South Africa (Louw). With the passing of these laws, former black citizens lost their voice to prevent any further discriminatory legislation to come.

In addition to the fact that black citizens were forced out of white areas, the homelands forced them to live in squalor. They were forced out of their jobs and homes into areas where no one had to see them suffer. There was over population. No electricity or piped water was available. Health problems and malnutrition were common (Louw). In 1995 when the Apartheid government ended, the mean monthly household expenditure of a black family was 682,000 rand per person compared to a white family’s 3,978,000 (Ozler). These figures give an idea of the differences in quality of living between families confined to homelands and their white counterparts.

Other issues arose regarding the types of jobs available to the black population, as well as their bargaining power once a job could be secured. The Industrial Conciliation Act of 1953 excluded blacks from trade unions and took away their rights to strike, and therefore, to potentially better their wages or working conditions by force. Due to inferior Bantu education, black workers assumed unskilled positions. These workers lacked literacy, numeracy, technical comprehension, communication skills, occupational consciousness, and ability to handle paperwork to the degree required in higher paying fields (Kraak). In 1993, right before the

political end of Apartheid, the average black worker made an hourly wage of 4.8 rand compared to a white worker's 15.8 (Seekings).

The Bantu Investment Corporation Act was designed to create job opportunities for blacks within the homelands; therefore, appearing to soften the blow of decreased work opportunities within white areas. One of these programs involved sending older men to work colonies while the youth were sent to camps where they provided cheap farm labor. These jobs failed to compare to those held by white members of the working class or even those held by black migrants before Apartheid.

The Apartheid era even forced racial separation in social aspects. The Mixed Marriages Act prohibited marriages across racial borders just a year after the National Party took power. In 1950, the Immorality Amendment Act prohibited interracial sex. These laws were most likely enacted to prevent members of white society from involving themselves in personal relationships that would lead to a fight for the rights of the underprivileged black populations.

The mandated separation of races under Apartheid was costly, not only to blacks, but to the nation as a whole. Creating whole separate lives for different groups of people resulted in huge inefficiencies and unnecessary expenses. Space for homelands had to be obtained by purchasing farms. Moving entire populations required expensive transportation. Additional members of the police force and military were required to make sure everyone stayed in their designated place and to keep the peace; this required mandatory service from all white men. Whole new governments had to be built for the homelands including everything from the construction of new buildings to the salaries of newly hired staff. Industrial plants that still required the help of black labor often had to relocate to areas where their employees were

permitted. State funded transportation systems had to be introduced to transport black “guest” workers long distances from the homelands to their places of employment on the outskirts of white areas (Louw).

Another great cost to the nation as a whole was the labor shortages that resulted from restrictions on employing black workers. While opportunities for Afrikaners increased dramatically, capital owners were not satisfied with the legislation that inhibited their ability to do business. They were suddenly forced to pay higher wages and there were often not enough workers to keep production up to its pre-Apartheid levels (Louw). The economy as a whole was crippled. Eventually, capital owners would strive to discover means of production that were less labor intensive and relied more on skills and capital.

Surveys from 1969 to 1971 asked corporations about the difficulties in staffing their factories, specifically what percentage of their potential workforce that they could not satisfy due to lack of skilled laborers. The results reported skill shortages in several markets: 13% in construction, 8% in metals and engineering, 11% in motors, and 12% in furniture (Seekings). These are alarming figures considering the excessive number of black laborers who simply had not been subject to the appropriate training or were not permitted to work in the area. During the 1960’s, the share of profit going to capital owners in the manufacturing sector declined approximately 4% per year throughout the decade (Seekings). The manufacturing industry also failed to compete on an international level due to under-productivity of laborers which is attributed to the strict labor restrictions under the Apartheid system (Callinicos). The entire economy was suffering.

One group of people was particularly frustrated by the harsh rules of Apartheid. Former black citizens who had become westernized during Britain's colonization found their choices hard to bear. They could uproot themselves to distant homelands of African culture with which they did not identify or understand. They could become a guest worker in white cities where they would possess no political rights. Their final option was to fight the system and face brutality from the enforcers of Apartheid (Louw). Many of them did just that and encountered violent resistance.

Turning to the governing body of South Africa in its entirety, great changes in staffing occurred when the National Party came to power. Compared to the former, British controlled party, the new administrators were inexperienced and less skilled. There was however, very little corruption noted among top officials. There were records of corruption among the lower levels of government who solicited money from impoverished migrants, however (Hyslop).

The aforementioned events have lead to the coining of the term "Apartheid capitalism," which is not to be confused with capitalism in its traditional sense. Capitalism describes a system in which individuals, not government bodies control trade and commerce. Individuals own property, essentially the factors of production, and determine how they are used. The government does not control or restrict how property is allocated; its primary role in the economy is to enforce private property rights. The economy as a whole is ruled by laissez faire principals. Each person acts in their own interest and as each person betters their own condition, society as a whole benefits. The single most important part of capitalism lies in the economic freedom for each individual to participate in trade and commerce at their own discretion. Clearly, this is not how Apartheid capitalism functioned.

“In fact, apartheid was hostile to true capitalism” (Williams). The Apartheid and, therefore, its brand of capitalism was characterized by a racial hierarchy, discrimination, and segregation; each of these things were backed up by government legislation (Lipton). The state’s role in economic affairs turns these claims into obvious facts. The government used its power to limit black participation in the labor market. This constraint included the previously mentioned limited educational opportunities for blacks, job reservations for whites, as well as, a plethora of other legislation. The government also prevented black citizens from owning property, let alone businesses. Those who had previously fought their way through disadvantage to become successful business owners were legally forced to give up their livelihood with little hope of finding comparable employment.

“In creating a welfare state for whites, the fathers of 20th century South Africa knew their greatest enemy was the idea of individual freedom intrinsic to capitalism” (Williams). The black South Africans during the Apartheid were clearly not free in either the political or economic sense. A free black South Africa would not have been prevented from joining the labor force in the same manner as its white participants or procuring capital ownership at its own discretion and ability; both of these things were nearly impossible at the time. The National Party’s political agenda sought to advance the Afrikaner population at the expense of all other ethnicities. The Afrikaners had unlimited access to jobs, business expansion, and capital ownership; the benefits of capitalism that extended no further than Afrikaner hands.

One of the greatest indicators that Apartheid capitalism differed from traditional laissez faire capitalism lies in the viewpoints and actions of the capital owners at the time. Logically, any corporation would desire the largest pool of potential workers as possible; this would allow them to select the best workers with regard to skills rather than outside factors such as race.

Traditional capitalism would guarantee this as a reality, as the government would not interfere with employment decisions. Apartheid government certainly did not respect these boundaries. Its involvement caused labor shortages, despite a plethora of available labor, and restricted economic growth.

Meanwhile, capital owners were making efforts to provide support to the black community. The Urban Foundation was set up in 1977 to better the lives of black workers and in their communities. While capital was certainly self-motivated to provide themselves with better skilled and more motivated workers, their efforts should not be taken for granted. Capital sought to allow laborers to reside near their place of work, regardless of the location of white areas and homelands. The Urban Foundation provided the funding for new and upgraded technical schools, even providing the instructors. Later, the foundation provided adult education classes to improve the quality of instruction provided in existing schools. They also started pre-school education programs and provided community courses in leadership, community development, and health (Kraak).

It is certainly ironic that Afrikaners would coin a new type of capitalism when it is the same economic system that they severely despised during British rule. They considered capitalism to be driven by selfish motives and devoid of morality. Somehow, their perception of Apartheid and its inherently racist advantages, did not register as such. It is, however, clear that Apartheid capitalism was a far cry from laissez faire capitalism.

By the late 1980s the system of Apartheid began to crumble. Conflict between the Afrikaners and other ethnic groups had created chaos. The less than ideal laws governing commerce had led to economic decline. The corporate sector sought change from the governing

body, including unrestricted access to the black masses of labor which had been tucked away in homelands. There was also international pressure from the United States, European Union, United Nations, and Organization of African Unity to end the discrimination for good (Louw 160). It was under these conditions that the African National Congress became the governing body in 1994 and Apartheid officially met its end.

Similar to the idea of Apartheid and the hope it held for Afrikaners, post-Apartheid government programs promised a great deal to the struggling masses. Legislation and government programs sought to even out opportunities and assist the black community that was deprived during the Apartheid years. New policies and goals were implemented over the next several years in the spirit of affirmative action and correcting former injustices. The Reconstruction and Development Program in 1994, sought to create jobs through public works, reform land distribution in favor of the black community, as well, as to increase availability of social security and acceptable housing to black citizens. A couple of years later, South Africa adopted an economic reform program entitled GEAR, for Growth, Employment, and Redistribution. The government had its hands full with lofty goals and impossible promises made to the suddenly hopeful black community.

Black Empowerment Legislation began pouring in at the hands of the Black Economic Empowerment Commission. The BEEC's first initiative was to encourage investment from business and the government into areas of national priority, to advance opportunities for the black community. The government committed to investing 10% of its employee pension fund to create a rural development agency. The agency would make funds available to the black residents for the acquisition of land for agricultural purposes. It sought to have black owners take

possession of thirty percent of the nations land within the first ten years of the program (Southall).

Another goal of BEEC's was to create a National Procurement Agency to oversee the reformatting of the national licensing system. All companies would be rated on their BEE performance, which would be used in future licensing decisions. Forty percent of new licenses were to go to black companies. Private agencies were expected to invest a portion of their proceeds towards rural development, set targets for black participation in the job market, and to promote small businesses emerging from the black community. (Southall).

A National Empowerment Funding Agency would provide government funding for initiatives such as community ownership, retail businesses, and co-operatives from the black entrepreneurs. Its main goal was for twenty-five percent of companies on the Johannesburg Stock Exchange to have black owners. Within ten years, forty percent of all executives should be black. Additionally, a minimum of fifty percent of all loans for development should go to black-owned initiatives. The NEF would also facilitate the sale of state assets to private black companies. Black-owned companies were to possess thirty percent of the equity of restructured state-owned enterprises, also within the ten year period. Banking and financing institutions were to be closely watched to ensure that no discrimination was taking place (Southall).

Also under the BEEC's discretion, an Integrated National Human Resource Development Strategy was put in place. It aimed to increase the production capabilities of black citizens by teaching them essential skills required in the workplace. It would also seek to place black community members in professional positions (Southall).

The end of Apartheid also meant the end of its migration policy. Black South Africans were no longer confined to their former homelands but were free to move into formerly white areas. This allowed for a mass migration into the cities and the possibility of more jobs as a result. Also, immigrants from other nations were again free to find a home and occupation throughout South Africa.

Outside South Africa, the rest of the world was indulging in globalization. In order to limit the redistribution of resources to formerly disadvantaged black citizens, the African National Congress sought to expand financial opportunities through the process of globalization as well. It was thought, by the ANC, that a radical redistribution of agricultural land would cause instability in rural areas, which would raise food prices, and in turn, cause instability nationwide (Greenberg 54). Globalization, however, would open up production opportunities, as well as provide for greater availability of affordable goods. South African began investing throughout the rest of the African continent.

The 1995 Labor Relations Act aimed to reconcile differences between capital owners and laborers. It supported the idea of collective bargaining, hoping to raise wages and working conditions for the black masses. It allowed trade unions to establish industrial councils once they reached a certain size and required capital owners to negotiate with either them, or a council established by the Minister of Labor. The right to strike is given to some workers with the exclusion of those laborers who may negatively affect the economy, but there is little protection guaranteed to these strikers. Also, the act gives some protection to workers against unfair dismissal (Gall).

The end of Apartheid promised to deliver a lot of changes to the black communities; it also failed to achieve many of its goals. The reality of post Apartheid South Africa is different than was intended. The vast majority of capital remained in white hands. A few black citizens ascended into the middle class, but most black laborers experienced an increase in poverty as reverse discrimination took its toll on the economy. Corruption took over government offices and corporations sought a way out of South Africa.

Despite the ANC's best efforts, the black community failed to acquire much capital compared to the abundance belonging to white individuals. In 2002, 98% of executive director positions continued to be held by white managers, only 64 executive directors were black. Of the 387 companies questioned, only eight of them were run by a black chief executive officer (Southall). By 2006, a mere 2% of the companies on the Johannesburg Stock Exchange were owned by blacks (Lynch). The lack of educational opportunities seems to have had a lasting impact upon the black citizens of South Africa.

A small black elite, essentially a middle class, did emerge; most of its members were privy to certain advantages earlier in life compared to the black masses. Some were former anti-Apartheid activists who acquired political standing and were known to be supportive of the ANC; they had little personal capital, training, or business experience. Others had acquired education and valuable experience abroad. A few had been given special opportunities by corporations participating in empowerment initiatives. Others had participated in black business organizations, such as the Black Management Forum where they made valuable contacts within the white business world. Collectively, they improved the image of corporations in post-Apartheid South Africa, but were certainly not a sample of the typical black South African community (Southall).

Black poverty continued to be a problem. Those who remained in the former homelands faced an unemployment rate of 75% in 1996 (Ozler). While black families were now prompted to move into the cities, they often merely trade homelands for slums. The main advantages of urban slums rested in better access to safe water, sanitation, and the possibility of jobs which are still hard to come by. Companies that had formerly experienced labor shortages made technological changes to reduce the number of workers required; those it still hired required skills beyond the common person; these skills were certainly beyond those who only obtained a substandard Bantu education. The national unemployment rate remained at 25% through 2009; this number suggests that cities offer a greater advantage to black laborers than homelands do until one realizes that the black laborers would be the least educated, and therefore least skilled, looking for work.

Though capital owners sought to take up the cause of the impoverished black workers with the Urban Foundation and other projects, the black community was suspicious of their motives. They blamed capitalism and capital owners for being self and subjecting them to Apartheid and its cruelties. They saw capital's creation of a small black middle class as a way of destroying black unity and, therefore, their political power. These attitudes and the hesitant participation of black communities hindered the effectiveness of capital's initiatives to create a more equal society. Otherwise, capital's efforts may have been much more effective than many government policies at the time.

The policies instated at the end of Apartheid were created with the best of intentions, but were generally ineffective and had consequences, just like Apartheid itself. In the wake of Apartheid, South Africa has cut its murder rate, made advances in child nutrition, doubled enrollment in public schools, provided welfare benefits to millions, and begun a battle against the

HIV/AIDS epidemic. However, the black population is still suffering. Even worse, the rest of the South African population is also facing tough realities. The South African life expectancy has dropped, over half the nation remains impoverished, corruption has spread through the higher levels of government, adequate health care is scarce despite high government expenditures, and good education is hard to obtain. These problems transcend racial borders. If one thing can be learned from South Africa, it is that government interference to advance a certain group, either to assert supremacy or to correct a past wrong can have disastrous consequences for decades into the future.

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